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Sayer's Outlook For 2013 M&A Activity

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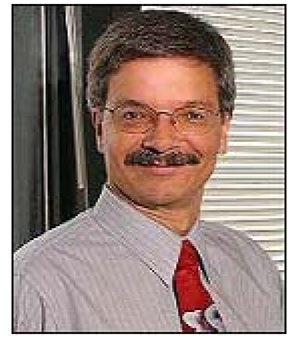
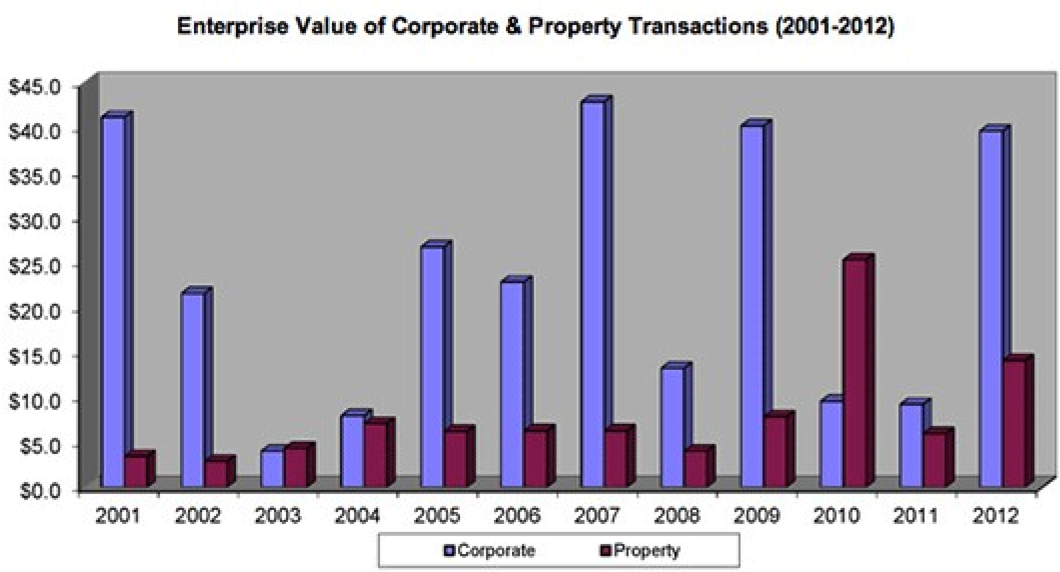


Continued lower natural gas prices coupled with weakness in the equity markets led to significant mergers and acquisitions ("M&A") activity in 2012, when a record $54 billion worth of companies and assets changed hands. Although both the equity markets and natural gas prices appear to have rebounded slightly early in 2013, it is our view that while the M&A marketplace will be fairly active this year we will see a lower total dollar amount of activity than what occurred in 2012.

In recent history, years where the M&A marketplace was exceptionally active (2001, 2007, 2009) have been followed by relatively slower years (2002-2004, 2008, 2010-2011). This is in part due to changing economic conditions (ex. 2008), but also likely due to the fact that the purchasers of significant assets in one year are often "*out of the box*" for some time to follow as they digest the recent large purchases. If this trend continues, we should see a relative slowdown in M&A activity in 2013 compared to 2012 levels.

Corporate transactions have historically dominated the value of M&A transactions, a trend that ended in 2010 with the divestiture of several large asset packages from larger entities. In 2011, which was a very quiet year in terms of the total value of M&A activity, the value of asset deals dropped off significantly.

In 2012 the total value of M&A activity (approximately $54 billion) was up considerably from 2011, with corporate deals dominating the market. Almost $40 billion in corporate deals accounted for roughly 75% of the value of all transactions last year. The total value of corporate transactions was on par with the three best years of the past decade. We believe that increased pressure on all public companies to become larger and more focused will maintain this emphasis on corporate transactions as 2013 unfolds, although at a lower total value.



Continuing a recent trend, the majority of corporate transactions that will take place in 2013 will involve the acquisition of companies with concentrated asset bases, focusing on a minimal number of resource plays or prospects that can be exploited with modern drilling and completions technology. Other smaller corporate transactions will be largely a result of financial distress, in some cases driven by the banks and other secured creditors.

Many companies, particularly publicly-traded entities, will be quietly shopping for purchasers or for merger candidates. As a result of this, continuing a trend seen in recent years, there may be no public indication of a company's intention to enter into an M&A process until an announcement is made regarding an agreed to transaction.

With the softening of the public equity markets, many companies accessed the divestiture markets in 2012, using the sale of non-core assets as a source of capital. In 2012, both the total dollar value of property transactions and the number of properties changing hands increased substantially from 2011. The total value of property sales in 2012 (over $14 billion) reached the second highest level seen in the past ten years. We expect to see continued use of the asset divestiture markets to fund capital programs in 2013.

With the public equity markets somewhat in "*time out*" mode, the buyers of larger assets in the past couple of years have been primarily foreign entities (mainly buying liquids-rich natural gas properties, buying companies focusing on liquids-rich natural gas and oilsands plays, or entering into joint ventures to develop liquids-rich natural gas prospects), large cap public companies (selectively buying assets and companies which complement the purchasers' core business) and local companies backed by private equity (buying assets or companies on a value basis). These sources of capital should be fairly active in the M&A marketplace in 2013, although they will not likely be as busy in 2013 as they were in 2012.

While we still expect to see significant interest from foreign entities in the Canadian oilpatch in 2013, it is hard to imagine that there will be as much of this type of M&A activity in 2013 as there was in 2012, when almost $30 billion worth of offshore money came into the sector. This activity helped to push the total value of M&A activity in Canada to record levels.

Foreign buyers will still be mainly interested in large, liquids-rich natural gas properties, either as outright acquisitions or as joint venture participants. These sources of capital have not dried up, particularly now that there is at least partial resolution to the international investment question first raised in response to some of the larger M&A transactions of 2012. Activity levels may be tempered in large part due to the fact that many of the larger, more attractive acquisition opportunities were snapped up in 2012.

Similar diminished M&A activity levels are forecast from large cap companies in 2013. While 2013 should still be a relatively active year for larger entities, it is difficult to forecast an increase in the activity levels seen in 2012 until there is sustained strength in the equity markets.

ExxonMobil Corporation's $3 billion acquisition of **Celtic Exploration Ltd.**, which was the largest transaction by a North American publicly traded large cap company in 2012, was the first significant Canadian M&A transaction by ExxonMobil in over twenty years. We believe it is unlikely that another similar transaction is in ExxonMobil's plans for 2013.

Another large cap public company that was among the most active M&A participants in 2012 may also be partially on the sidelines. After concluding at least ten transactions (three corporate, seven asset, most of which were accretive acquisitions in its core areas) totaling over $2.0 billion in Canada in the first half of 2012, **Crescent Point Energy Corp.** appears to us to be focusing its recent activities on organic growth of its existing asset base. While we would not be surprised to see Crescent Point actively participating in the M&A market, we do not expect to see the company spending billions in 2013. Other large cap pubcos which were active may also be similarly digesting their 2012 acquisitions, leaving a potential void of purchasers from this sector in 2013.

So far in 2013 the volume of asset sales activity from juniors appears to be tracking with the levels seen at this time last year and we see no reason that this sector of the market will not continue to be strong. These sales do not, however, constitute a large percentage of the value of the M&A marketplace. Similarly, local sources of private equity will continue to fund value driven M&A activity; however, there will not be a significant increase in this activity in 2013.

There is no doubt that we should see a robust M&A marketplace in 2013, albeit a little tempered from the frenzied levels seen in 2012. Due to the fact that the public equity and credit markets appear to remain jittery, there will certainly be lots of buying and selling opportunities in the year ahead.